Alberta
ENERGY

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08-05

GAS ROYALTY CALCULATION INFORMATION BULLETIN May 2008

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT.

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for March 2008, refer to Attachments 1, 1A, 2, 2A, and 3. These attachments are also available in Excel format.

B. NOTICES

Royalty Deposit Adjustment

The Department has enhanced the royalty deposit calculation to reduce the impact on cash flows caused by wide swings in gas prices. The royalty deposit is calculated as 1/6th of the client's previous year's royalty multiplied by a factor. The factor of 1.11 is calculated by dividing the current year's long term price for 2008 of $6.50 by the average 2007 Alberta reference price (ARP) of $5.88. This change in deposit will be processed in the Initial Annual Billing Period (IABP), June 2008 calendar month (April 2008 Invoice). If you have any questions, please contact Joyce Chen at (780) 415-2673.

C. MONTHLY INFORMATION

March 2008 Royalty Due June 30

- **Royalty clients are to remit the total amount payable shown on the June 2008 Statement of Account by June 30, 2008.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.
- **The June 2008 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your March 2008 Invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**
- Current period interest will not be charged on current invoice charges for the production month of March 2008 if it is paid in full by June 30, 2008.
- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.
- Cheques are payable to the Minister of Finance, Province of Alberta.

April 2008 VA4 Due June 15

The VA4 forms for the production month of April 2008 are due in the department offices by June 15, 2008.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Bulletin Board.

Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."

Interest Rate May 2008

Alberta Energy's interest rate for May 2008 is 5.75%.

February Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the February 2008 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$3,701,503.75	**($3,894,214.46)**	**($192,710.71)**

February Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the February 2008 billing period:

FORM	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2008/02
AC2	$35,600	($18,000)	$17,600
AC4	$22,400	$0	$22,400
AC5	$0	$0	$0
GR2	$0	$0	$0
NGL1	$0	$0	$0
VA2	$8,000	$0	$8,000
VA3	$0	$0	$0
VA4	$500	$0	$500
Total	$66,500	($18,000)	$48,500

Gas Royalty Calculation Support

Gas Royalty Calculation staff will be available monthly to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to call Richard Stokl, Manager, Client Services (780-422-9258) or e-mail richard.stokl@gov.ab.ca two business days before the meeting date to arrange an appointment. The May through July schedule is as follows:

Where:

AMEC Place
Room 437, 801-6 Avenue SW
Calgary, Alberta
Phone: 403-297-8954
(Industry must go to the 3rd Floor Reception upon arrival to sign-in and be given a visitor tag)

When – 10 am to 3 pm

May 29, 2008
June 26, 2008
July 31, 2008

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role start date with no end date, then that BA can receive allocations from the stated start date forward.
- If a BA has a WIO role start and end date, then they can only receive allocations from the stated start date until the end date. Any allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395 if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

Turnaround Time for Allowable Cost (AC) Submissions

Facility Cost Centre Set-up/Change (AC1)
With the March 1 deadline of AC1 submissions for 2007, new FCC set-ups submitted through batch or on-line will be processed by the department within a half-day turnaround time and these requests will not be delayed due to an invoice cycle. All other FCC changes will be processed overnight and will not occur during an invoice cycle. AC1s submitted on the weekend and on any statutory holiday will not be processed until the next business day.

Annual Allowable Cost Submissions (AC2, AC3, AC4 and AC5)
AC2, AC3, AC4 and AC5 are processed nightly except:

- During an invoice cycle, and
- Submissions made on a weekend or on any statutory holiday, which will not be processed until the next business day.
- Submissions made after the monthly deadline (15th of the month or the next business day if the 15th falls on a weekend) will not appear on the Petroleum Registry until after the invoice cycle.

Annual Operating Cost Adjustments for 2003, 2004, 2005, 2006 and 2007 Production Years

Royalty Clients may have a charge type on their February 2008 invoice titled "Annual Operating Cost Adjustment". This adjustment represents the difference between the actual annual operating costs and the accumulated estimated monthly unit operating cost rate (UOCR) deductions, including any prior annual adjustments, for a production year. Two reports are included with the invoice titled Annual Operating Cost Adjustment Details and Annual Operating Cost Adjustment Summary. Annual Operating Cost Adjustments are processed once a year and the adjustments will be identified in the February invoice issued in April. The results of the 2008 UOCR calculation process are published on the department website. Please select Unit Operating Cost Rates to view the most recent UOCR calculations. For additional information, please refer to the March 2004 Supplement Information Bulletin 04-03A or contact your Gas Royalty Client Services portfolio representative as identified in Section F of this Bulletin.

Discontinuation of Operating Cost Survey for Non-Designated ERCB Facilities

Under the Hybrid Model UOCR regime introduced in 2005, an operating cost survey was used to determine compression and gathering rate components among non-designated ERCB facilities, based on a sample of actual operating costs at each plant class for two selected production years.

The operating cost survey was to be conducted every five years, where a new statistical survey would be conducted to determine the survey sample. For the intervening years between operating cost surveys, the gathering and compression rates for non-designated ERCB facilities were escalated from the prior year's rates using an index based on the rate of change of similar costs in designated ERCB facilities.

Effective with the New Royalty Framework for the 2009 production year, operating costs will be distributed to owners of each facility in a similar manner as capital costs. This method of distribution does not require a Unit Operating Cost Rate (UOCR) and there is no subsequent need to recapture operating costs from non-owners. As a result, the next operating cost survey which was to be conducted in 2008, based on operating cost information for the 2006 and 2007 production years, is no longer required. Survey rates will continue to apply to the production years prior to 2009 and will be updated annually until the last production year becomes statute barred from further amendments.

For additional information, please contact your Gas Royalty Client Services portfolio representative as identified in Section F of this Bulletin.

Royalty Liable Gas Used for Fuel (PURREC and PURDISP)

As noted in the December 2007 Information Bulletin, the department is reviewing volumetric disposition of gas, reported on the Petroleum Registry of Alberta (PRA) from batteries, gathering systems or gas plants to batteries or gathering systems for the purpose of fuel. The objective of the review is to ensure that all royalty liable fuel is accurately reported on PRA to facilitate Crown royalty calculation.

When there is a sale of gas or transfer of ownership within the royalty network the gas volume is subject to royalty. Where the gas is used for fuel, it must be reported as a "PURREC" (Purchased Receipt) by the operator receiving it.

For example: If a Gas Plant (GP) sells gas for fuel to a Battery (BT) each month, the reporting is:

1. The BT operator must report a PURREC.
2. This will auto populate a PURDISP at the GP.
3. The GP operator must then file a SAF/OAF for the PURDISP.

Please note that the seller of the gas that is used for fuel is not absolved from royalty liability and interest where the purchaser fails to report correctly. All parties should take steps to ensure that in network sales or transfers of gas are correctly reported.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry. To contact the Petroleum Registry of Alberta Service Desk call: 1-800-992-1144.

Alberta Energy Internet

Prices, Royalty Rates, and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)".

In addition, both the Gas Royalty Calculation Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Gas Royalty Client Services

Gas Royalty Client Services is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of four Client Service teams. Listed below is the portfolio breakdown along with Client Service Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B & L	780-644-1201 GRCST1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 GRCST2@gov.ab.ca	Todd Atwood
H – P (excluding L)	780-644-1203 GRCST3@gov.ab.ca	Chris Nixon
Q – Z	780-644-1204 GRCST4@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-427-2962
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer.

Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business for ABC Oil and Gas you would call Team 4 (Q-Z) (780-644-1204) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas you would call Team 1 (# Co., A, B, & L) (780-644-1201) because you have only purchased assets. You would not be entitled to information regarding business for TSP Exploration that is prior to the asset purchase.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 3 (H-P excluding L) (780-644-1203) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Deen Khan
Director, Gas Royalty Calculation
Gas Development

Attachments

2008 GAS AND ISC PRICES

MONTH	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butane ISC Reference Price ($/GJ)	Pentanes plus ISC Reference Price ($/GJ)
JAN	6.19	6.13	6.13	6.61	6.80	6.83	6.86
FEB	6.72	6.66	6.66	7.20	7.40	7.44	7.46
MAR	7.52	7.45	7.45	8.09	8.30	8.33	8.33
APR							
MAY							
JUN							
JUL							
AUG							
SEPT							
OCT							
NOV							
DEC							

Natural Gas and NGLs Select Prices for 2008	
Commodity	2008
New Methane	1.496$/GJ
Old Methane	0.441 $/GJ
New Ethane	1.496 $/GJ
Old Ethane	0.441 $/GJ
Propane	1.496 $/GJ
Butane	1.496 $/GJ
Pentanes plus	53.49$/m3

Royalty Factors for Pentanes plus		
	Base	Marginal
New Pentanes	22	35
Old Pentanes	22	50

DETAIL OF THE MARCH 2008 GAS AND ISC REFERENCE PRICES

	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
Weighted Average Price of Alberta	7.784	7.733	8.244	8.417	8.422	8.410
Deductions: Intra – Alberta Transportation	0.254	0.270	0.154	0.108	0.084	0.063
Marketing Allowance	0.012	0.012	0.012	0.012	0.012	0.012
Price Before Pipeline Factor	7.518	7.451	8.078	8.297	8.326	8.335
Pipeline Fuel/Loss Factor	0.992	0.992	0.992	0.992	0.992	0.992
Price before Special Adjustment	7.455	7.389	8.010	8.228	8.257	8.265
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Price before 2% amendment limitation or rounding	7.455	7.389	8.010	8.228	8.257	8.265
Amendments: Carry forward (from previous RP month)	0.003	0.000	0.001	-0.002	-0.002	-0.004
Prior Period Amendment Adjustment (current RP month)	0.060	0.064	0.076	0.076	0.072	0.071
Calculated RP after Amendments	7.518	7.453	8.087	8.302	8.327	8.332
March 2008 Reference Price	**7.52**	**7.45**	**8.09**	**8.30**	**8.33**	**8.33**
Difference = value carried forward to next RP month	-0.002	0.003	-0.002	0.002	-0.003	0.002
Adjusted IATD (before Prior Period Amendments)	[redacted]	0.267	0.153	0.107	0.083	0.063
Prior period Amendments (IATD and Pipeline Fuel Loss)	[redacted]	0.000	0.000	0.000	0.000	0.000
Adjusted IATD (after Prior Period Amendments)	[redacted]	0.267	0.153	0.107	0.083	0.063

2007 Weighted Average Gas Reference Price ($/GJ)
5.892

2007 Weighted Average OMAC ($/GJ)
0.019

2008
NATURAL GAS LIQUIDS PRICES

MONTH	Ethane Reference Price ($/GJ)	Ethane Par Price ($/GJ)	Propane Reference Price ($/m3)	Propane Par Price ($/GJ)	Propane Floor Price ($/m3)	Butanes Reference Price ($/m3)	Butanes Par Price ($/GJ)	Butanes Floor Price ($/m3)	Pentanes plus Reference Price ($/m3)	Pentanes plus Par Price ($/m3)	Sulphur Default Price ($ per tonne)
JAN	6.61	6.61	379.50	6.80	324.38	533.35	6.83	402.11	631.90	615.30	189.25
FEB	7.20	7.20	372.15	7.40	326.74	510.61	7.44	361.31	642.42	621.84	233.95
MAR	8.09	8.09	366.78	8.30	336.54	536.12	8.33	370.17	722.53	700.18	156.12
APR											
MAY											
JUN											
JUL											
AUG											
SEPT											
OCT											
NOV											
DEC											

ANNUAL SULPHUR DEFAULT PRICE				
2002	2003	2004	2005	2006
$6.74	$31.24	$31.90	$33.98	$18.82

2008
NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	17.37	-0.22	62.47	29.39	35.99	24.98	32.04*	15.08	44.40	38.81	63.16	51.03	16.50
FEB	13.43	3.95	64.16	30.61	34.76	29.17	25.89	13.45	52.91	46.63	53.16	50.46	16.50
MAR	0.67	16.56	94.84	41.39	36.16	45.23	35.64	15.92	60.46	56.46	92.37	60.25	16.50
APR													
MAY													
JUN													
JUL													
AUG													
SEPT													
OCT													
NOV													
DEC													

(a) Pentanes Plus obtained as a specification gas product,
(b) Propane and Butane obtained as specification products, and
(c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

* Current month calculated allowance is based on an estimate.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS

NGL REFERENCE PRICES	March 2008		
	Propane	*Butanes*	*Pentanes*
Price before amendments	366.799149	536.119960	722.531322
Opening Rollover (from prior business mth)	0.003143	-0.002216	-0.004039
Prior Period Amendment Adj. (NGL-100)	-0.023252	0.000000	0.000000
Published Reference Price	**366.78**	**536.12**	**722.53**

TRANSPORTATION ALLOWANCES	March 2008											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	0.004571	-0.004987	-0.001970	0.000209	-0.001745	0.000698	0.004066	0.000759	-0.000293	-0.004953	0.000730	0.003298
Prior Period Amendment Adj. (NGL-100)	0.000000	0.000000	0.000000	0.000000	-0.015627	-0.012347	-0.022313	-0.023252	-0.009816	-0.009343	-0.007483	-0.010493
Total Amendment Effect	0.004571	-0.004987	-0.001970	0.000209	-0.017372	-0.011649	-0.018247	-0.022493	-0.010109	-0.014296	-0.006753	-0.007195
Calculated Transp. Differential	0.666541	16.565355	94.839971	41.389260	36.180416	45.242599	35.662697	15.939037	60.474347	56.479054	92.378948	60.253621
Calculated Transp. Differential after Total Amendments	0.671112	16.560368	94.838001	41.389469	36.163044	45.230950	35.644450	15.916544	60.464238	56.464758	92.372195	60.246426
Published Transportation Allowance	**0.67**	**16.56**	**94.84**	**41.39**	**36.16**	**45.23**	**35.64**	**15.92**	**60.46**	**56.46**	**92.37**	**60.25**

*Any estimates represented by (*) are calculated as the weighted average of the other regions for the same spec product transportation allowance, since the region is zero. The weightings are based on the previous year's production.

2008
ROYALTY RATES

MONTH	METHANE-OLD (% per GJ)	METHANE-NEW (% per GJ)	ETHANE - OLD (% per GJ)+	ETHANE - NEW (% per GJ)	PROPANE (% per m^3)	BUTANES (% per m^3)	PENTANES – OLD (POL) (% per m^3)	PENTANES - NEW (PNE) (% per m^3)
JAN	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	47.56587	33.86987
FEB	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	47.59147	33.88175
MAR	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	47.86095	34.00687
APR								
MAY								
JUN								
JUL								
AUG								
SEPT								
OCT								
NOV								
DEC								